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Transport International Holdings Limited

(載通國際控股有限公司) *

(incorporated in Bermuda with limited liability)

(Stock code: 62)

2020 Final Results Announcement

FINANCIAL HIGHLIGHTS

- The Group recorded a non-recurring net gain amounting to HK\$1,495.5 million arising from the revaluation and disposal of 50% equity interest in TM Properties Investment Limited, being the wholly-owned subsidiary which holds the Tuen Mun Town Lot No. 80 site in 2020. As a result, the Group's profit attributable to equity shareholders for the year ended 31 December 2020 was HK\$1,904.1 million (2019: HK\$605.3 million), an increase of HK\$1,298.8 million or 214.6% compared with 2019. Excluding such non-recurring net gain, the profit attributable to equity shareholders for 2020 would have been HK\$408.6 million, representing a decrease of HK\$196.7 million or 32.5% compared to that for 2019.
- The Group's flagship company, The Kowloon Motor Bus Company (1933) Limited ("KMB"), recorded a loss from its operations of HK\$692.2 million for 2020, after taking into account government subsidies amounting to HK\$895.5 million, KMB recorded a profit after taxation of HK\$203.3 million for 2020 (2019: HK\$314.9 million), a decrease of HK\$111.6 million or 35.4% compared with 2019. KMB will retain its profit for the franchised bus operations to respond to uncertainties in economic environment, patronage, opening of border-crossing and fuel price.
- The Group's earnings per share for 2020 were HK\$4.21 (2019: HK\$1.38).
- In view that the Group recorded a net profit from its other business segments excluding its franchised public bus operations, an ordinary final dividend of HK\$0.50 per share for 2020 has been declared (2019: HK\$0.70 per share), resulting in total dividend for the year amounted to HK\$0.50 per share (2019: HK\$1.00 per share).

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2020**

| | <i>Note</i> | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|--|-------------|--------------------------------|-------------------------|
| Fare revenue from franchised public bus services | | 5,653,807 | 7,504,233 |
| Revenue from non-franchised transport services | | 208,204 | 314,709 |
| Licence fee income | | 224,723 | 190,924 |
| Media sales revenue | | 31,299 | 35,363 |
| Gross rentals from investment properties | | 72,847 | 66,972 |
| Revenue | 3 | 6,190,880 | 8,112,201 |
| Other income | 4 | 1,249,571 | 411,068 |
| Staff costs | 5 | (4,339,974) | (4,517,368) |
| Depreciation | | (993,019) | (966,607) |
| Fuel and oil | | (619,612) | (919,993) |
| Spare parts | | (197,468) | (214,679) |
| Toll charges | | (272,388) | (328,717) |
| Other operating expenses | | (771,009) | (865,944) |
| Profit from operations | | 246,981 | 709,961 |
| Finance costs | 6 | (26,933) | (32,182) |
| Gain on disposal of a subsidiary | | 1,495,548 | - |
| Share of profits of associates | | 6,525 | 21,544 |
| Share of profit of joint venture | | 35 | - |
| Profit before taxation | | 1,722,156 | 699,323 |
| Income tax credit/(expense) | 8 | 181,958 | (94,012) |
| Profit for the year | | 1,904,114 | 605,311 |
| | | | |
| Earnings per share – basic and diluted | 9 | HK\$ 4.21 | HK\$ 1.38 |

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

| | 2020 | 2019 |
|--|-------------------------|------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Profit for the year | <u>1,904,114</u> | <u>605,311</u> |
| Other comprehensive income for the year (after tax and reclassification adjustments): | | |
| <i>Items that will not be reclassified to profit or loss:</i> | | |
| - Remeasurements of net defined benefit asset, net of tax expense of HK\$72,295,000 (2019: HK\$74,709,000) | 365,857 | 378,074 |
| - Equity investment at fair value through other comprehensive income ("FVOCI"): net movement in fair value reserve (non-recycling), net of nil tax | 1,649 | 3,907 |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | |
| - Exchange differences on translation of financial statements of entities outside Hong Kong, net of nil tax | 39,151 | (10,705) |
| - Investments in debt securities: net movement in fair value reserve (recycling), net of nil tax | 9,409 | 38,198 |
| - Share of other comprehensive income of an associate, net of nil tax | <u>43,050</u> | <u>11,707</u> |
| Other comprehensive income for the year | <u>459,116</u> | <u>421,181</u> |
| Total comprehensive income for the year | <u>2,363,230</u> | <u>1,026,492</u> |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2020**

| | <i>Note</i> | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|--|-------------|--------------------------------|-------------------------|
| Non-current assets | | | |
| Investment properties | | 97,875 | 104,994 |
| Investment property under development | | 3,005,416 | 2,531,596 |
| Interest in leasehold land | | 53,318 | 55,330 |
| Other property, plant and equipment | | 7,797,012 | 7,462,447 |
| | | 10,953,621 | 10,154,367 |
| Intangible assets | | 364,964 | 364,964 |
| Goodwill | | 84,051 | 84,051 |
| Interest in associates | | 656,610 | 611,852 |
| Interest in joint venture | | 750,547 | - |
| Other financial assets | | 1,473,574 | 1,263,534 |
| Employee benefit assets | | 1,701,495 | 1,306,851 |
| Deferred tax assets | | 456 | 477 |
| | | 15,985,318 | 13,786,096 |
| Current assets | | | |
| Spare parts | | 95,300 | 78,999 |
| Accounts receivable | 10 | 660,519 | 666,654 |
| Other financial assets | | 234,198 | 702,363 |
| Deposits and prepayments | | 27,422 | 26,924 |
| Current tax recoverable | | 5,085 | 483 |
| Restricted bank deposits | | 350,365 | 146,955 |
| Bank deposits and cash | | 1,943,400 | 1,308,958 |
| | | 3,316,289 | 2,931,336 |
| Current liabilities | | | |
| Accounts payable and accruals | 11 | 1,585,519 | 1,344,381 |
| Contingency provision – insurance | 12 | 90,323 | 126,350 |
| Bank loans | | 1,398,257 | - |
| Lease liabilities | | 3,615 | 3,907 |
| Current tax payable | | 9,262 | 87,277 |
| | | 3,086,976 | 1,561,915 |
| Net current assets | | 229,313 | 1,369,421 |
| Total assets less current liabilities | | 16,214,631 | 15,155,517 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2020
(continued)

| | <i>Note</i> | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|-------------------------------------|-------------|--------------------------------|-------------------------|
| Non-current liabilities | | | |
| Bank loans | | 1,684,266 | 2,706,572 |
| Lease liabilities | | 1,865 | 3,111 |
| Deferred tax liabilities | | 1,123,423 | 1,227,243 |
| Contingency provision – insurance | 12 | 217,716 | 244,327 |
| Provision for long service payments | | 1,049 | 2,554 |
| | | 3,028,319 | 4,183,807 |
| NET ASSETS | | 13,186,312 | 10,971,710 |
| CAPITAL AND RESERVES | | | |
| Share capital | | 457,821 | 446,941 |
| Reserves | | 12,728,491 | 10,524,769 |
| TOTAL EQUITY | | 13,186,312 | 10,971,710 |

Notes:

1. Auditor's report

The Group's consolidated financial statements for the year ended 31 December 2020 have been audited in accordance with Hong Kong Standards on Auditing, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), by the Group's auditor, KPMG, Certified Public Accountants, whose unmodified auditor's report is included in the annual report to be sent to shareholders. The results have also been reviewed by the Company's Audit and Risk Management Committee.

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been compared by KPMG to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the auditor on this announcement.

2. Basis of preparation

The annual results set out in the announcement are extracted from the Group's consolidated financial statements, which have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Of these, the Amendment to HKFRS 16, *COVID-19-Related Rent Concessions* is relevant to the Group's financial statements.

Except for the Amendment to HKFRS 16, *COVID-19-Related Rent Concessions*, none of these developments have had a material impact on how the Group's results and financial position for the current period have been prepared or presented.

The Group has applied the Amendment to HKFRS 16, *COVID-19-Related Rent Concessions*, issued by the HKICPA to these financial statements for the current accounting period.

The Group has elected to early adopt the amendment and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. Segment reporting

For the purposes of assessing segment performance and allocating resources between segments, the Group's chief operating decision maker monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to the revenue generated and expenses incurred by those segments. The measure used for reporting segment profit is net profit after taxation, adjusted for head office or corporate administration costs which are not specifically attributable to individual segments. Inter-segment revenue is priced with reference to the price charged to external parties for similar transactions.

Segment assets and segment liabilities include all current and non-current assets and liabilities, respectively, which are directly managed by the segments.

Information regarding the Group's reportable segments for the years ended 31 December 2020 and 2019 is set out below:

| | Franchised bus operation | | Property holdings and development | | All other segments (Note) | | Total | |
|---|--------------------------|------------------|-----------------------------------|------------------|---------------------------|------------------|-------------------|-------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Revenue from external customers | 5,909,703 | 7,732,512 | 72,847 | 66,972 | 208,330 | 312,717 | 6,190,880 | 8,112,201 |
| Inter-segment revenue | 14,308 | 971 | 5,759 | 5,717 | 8,366 | 9,696 | 28,433 | 16,384 |
| Reportable segment revenue | 5,924,011 | 7,733,483 | 78,606 | 72,689 | 216,696 | 322,413 | 6,219,313 | 8,128,585 |
| Reportable segment profit | 203,285 | 368,022 | 1,548,289 | 54,792 | 47,310 | 60,261 | 1,798,884 | 483,075 |
| Interest income | 421 | 1,560 | - | - | - | - | 421 | 1,560 |
| Interest expense | (26,933) | (32,182) | - | - | - | - | (26,933) | (32,182) |
| Depreciation | (944,057) | (916,600) | (6,744) | (6,636) | (42,218) | (43,371) | (993,019) | (966,607) |
| Staff costs | (4,233,612) | (4,385,633) | - | - | (95,921) | (121,295) | (4,329,533) | (4,506,928) |
| Share of profits of associates | - | - | - | - | 6,525 | 21,544 | 6,525 | 21,544 |
| Share of profit of joint venture | - | - | 35 | - | - | - | 35 | - |
| Gain on disposal of a subsidiary | - | - | 1,495,548 | - | - | - | 1,495,548 | - |
| Income tax credit/(expense) | 195,651 | (72,950) | (10,213) | (10,756) | (3,480) | (10,306) | 181,958 | (94,012) |
| Reportable segment assets | 10,475,512 | 9,582,826 | 3,867,664 | 2,649,389 | 1,782,501 | 1,800,413 | 16,125,677 | 14,032,628 |
| - including interest in associates | - | - | - | - | 656,610 | 611,852 | 656,610 | 611,852 |
| - including interest in joint venture | - | - | 750,547 | - | - | - | 750,547 | - |
| Additions to non-current segment assets during the year | 1,312,179 | 1,025,751 | 474,769 | 232,926 | 7,688 | 28,191 | 1,794,636 | 1,286,868 |
| Reportable segment liabilities | 4,380,771 | 4,035,344 | 1,611,224 | 1,555,638 | 87,499 | 121,235 | 6,079,494 | 5,712,217 |

Note: Other operating segments which do not meet the quantitative thresholds prescribed by HKFRS 8, *Operating segments*, for determining reportable segments are combined as "all other segments". Such operating segments generate profits mainly from the provision of non-franchised transport services and interest in associates.

3. Segment reporting (continued)

Reconciliation of reportable segment revenue, profit, assets and liabilities

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|--------------------------------------|--------------------------|--------------------------|
| <i>Revenue</i> | | |
| Reportable segment revenue | 6,002,617 | 7,806,172 |
| Revenue from all other segments | 216,696 | 322,413 |
| Elimination of inter-segment revenue | <u>(28,433)</u> | <u>(16,384)</u> |
| Consolidated revenue | <u>6,190,880</u> | <u>8,112,201</u> |
| <i>Profit</i> | | |
| Reportable segment profit | 1,751,574 | 422,814 |
| Profit from all other segments | 47,310 | 60,261 |
| Unallocated profits | <u>105,230</u> | <u>122,236</u> |
| Consolidated profit after taxation | <u>1,904,114</u> | <u>605,311</u> |
| <i>Assets</i> | | |
| Reportable segment assets | 14,343,176 | 12,232,215 |
| Assets from all other segments | 1,782,501 | 1,800,413 |
| Unallocated assets | <u>3,175,930</u> | <u>2,684,804</u> |
| Consolidated total assets | <u>19,301,607</u> | <u>16,717,432</u> |
| <i>Liabilities</i> | | |
| Reportable segment liabilities | 5,991,995 | 5,590,982 |
| Liabilities from all other segments | 87,499 | 121,235 |
| Unallocated liabilities | <u>35,801</u> | <u>33,505</u> |
| Consolidated total liabilities | <u>6,115,295</u> | <u>5,745,722</u> |

3. Segment reporting (continued)

Geographic information

Substantially all of the Group's revenue from external customers, based on the location at which the services were provided, is generated in Hong Kong. The following table sets out information about the geographical location of the Group's investment properties, investment property under development, interest in leasehold land and other property, plant and equipment, intangible assets, goodwill, interest in associates and interest in joint venture ("specified non-current assets"). The geographical location of the specified non-current assets is based on the physical location of the asset in the case of investment properties, investment property under development, interest in leasehold land and other property, plant and equipment, the location of the operation to which they are allocated in the case of intangible assets and goodwill, and the location of operations in the case of interest in associates and interest in joint venture.

| | Specified non-current assets | |
|--|------------------------------|--------------------------|
| | 2020 | 2019 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Hong Kong | 11,988,839 | 10,432,033 |
| The People's Republic of China ("PRC") | 820,954 | 783,201 |
| | <u>12,809,793</u> | <u>11,215,234</u> |

4. Other income

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Interest income on financial assets measured at FVOCI (recycling) | 51,313 | 57,299 |
| Interest income on financial assets measured at amortised cost | 25,311 | 30,098 |
| Dividend income from unlisted equity securities | 31,000 | 40,300 |
| Claims received | 30,956 | 43,477 |
| Net miscellaneous business receipts | 8,869 | 10,625 |
| Net gain on disposal of other property, plant and equipment | 8,833 | 4,125 |
| Net loss on derecognition of investments in debt securities | (213) | (120) |
| Net foreign exchange loss | (11,243) | (7,055) |
| Government subsidies (Note) | 1,013,855 | 152,267 |
| Sundry income | 90,890 | 80,052 |
| | <hr/> 1,249,571 <hr/> | <hr/> 411,068 <hr/> |

Note: This represented subsidies from the Hong Kong Special Administrative Region (“HKSAR”) Government to relieve the operating pressure on corporates, including franchised and non-franchised bus operators as a result of the outbreak of COVID-19. It mainly included subsidies in respect of actual expenditures incurred on fuel, wages, as well as regular repair and maintenance and insurance premium.

5. Staff costs

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Defined benefit retirement plan expense | 43,508 | 56,575 |
| Contributions to defined contribution retirement plans | 173,862 | 170,571 |
| Movements in provision for long service payments | <u>5,241</u> | <u>9,383</u> |
| Total retirement cost | 222,611 | 236,529 |
| Equity-settled share-based payment expenses | 600 | (11) |
| Salaries, wages and other benefits | <u>4,119,913</u> | <u>4,280,850</u> |
| | 4,343,124 | 4,517,368 |
| Less: staff costs included in cost of mask production | <u>(3,150)</u> | <u>-</u> |
| | <u>4,339,974</u> | <u>4,517,368</u> |

6. Finance costs

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Interest on bank loans | 51,588 | 68,534 |
| Interest on lease liabilities | <u>161</u> | <u>200</u> |
| Total interest expenses on financial liabilities not at fair value through profit or loss | 51,749 | 68,734 |
| Less: interest expense capitalised into investment property under development (Note) | <u>(24,816)</u> | <u>(36,552)</u> |
| | <u>26,933</u> | <u>32,182</u> |

Note: The borrowing costs have been capitalised at the average interest rate of 1.45% per annum (2019: 2.33% per annum).

7. Dividends

(a) *Dividends paid/payable to equity shareholders of the Company attributable to the year*

| | 2020 | | 2019 | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | Per share <i>HK\$</i> | Total <i>HK\$'000</i> | Per share <i>HK\$</i> | Total <i>HK\$'000</i> |
| Interim dividend declared and paid | - | - | 0.30 | 133,123 |
| Final dividend proposed after the end of the reporting period | <u>0.50</u> | <u>228,910</u> | <u>0.70</u> | <u>312,859</u> |
| | <u>0.50</u> | <u>228,910</u> | <u>1.00</u> | <u>445,982</u> |

The Board decided not to declare an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: HK\$0.30 per share).

The interim dividend with a scrip dividend alternative in respect of the six months ended 30 June 2019 was paid on 15 October 2019, of which HK\$63,702,000 was settled by the issuance of 3,196,601 shares at an issue price of HK\$19.93 per share under the scrip dividend scheme.

At the Board meeting held on 18 March 2021, the Directors recommended a final dividend of HK\$0.50 per share for 2020 (2019: HK\$0.70 per share). Such dividend, which will be proposed at the Annual General Meeting of the Company to be held on 20 May 2021, has not been recognised as a liability at the end of the reporting period.

7. Dividends (continued)

(b) *Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year*

| | 2020 | | 2019 | |
|--|-------------|-----------------|-------------|-----------------|
| | Per share | Total | Per share | Total |
| | <i>HK\$</i> | <i>HK\$'000</i> | <i>HK\$</i> | <i>HK\$'000</i> |
| Final dividend in respect of the previous financial year, approved and paid during the year | 0.70 | 312,859 | 0.90 | 391,482 |

The final dividend with a scrip dividend alternative in respect of the year ended 31 December 2019 was paid on 30 June 2020, of which HK\$163,631,000 was settled by the issuance of 10,879,685 shares at an issue price of HK\$15.04 per share under the scrip dividend scheme.

The final dividend with a scrip dividend alternative in respect of the year ended 31 December 2018 was paid on 27 June 2019, of which HK\$199,738,000 was settled by the issuance of 8,764,283 shares at an issue price of HK\$22.79 per share under the scrip dividend scheme.

8. Income tax

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Current tax – Hong Kong profits tax | | |
| Provision for the year | 17,139 | 58,393 |
| (Over)/under-provision in respect of prior years | <u>(24,244)</u> | <u>43,762</u> |
| | ----- (7,105) | ----- 102,155 |
| PRC withholding tax | <u>1,262</u> | <u>943</u> |
| | ----- (5,843) | ----- 103,098 |
| Deferred tax | | |
| Origination and reversal of temporary differences | <u>(176,115)</u> | <u>(9,086)</u> |
| | <u>(181,958)</u> | <u>94,012</u> |

The provision for Hong Kong profits tax for 2020 is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year, except for a subsidiary of the Group which is a qualifying corporation under the two-tier profits tax rate regime.

For that subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

9. Earnings per share

(a) *Basic earnings per share*

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$1,904,114,000 (2019: HK\$605,311,000) and the weighted average number of ordinary shares in issue during the year, calculated as follows:

| | 2020 | 2019 |
|--|--------------------|-------------|
| Issued ordinary shares at 1 January | 446,941,011 | 434,597,327 |
| Effect of shares issued in respect of scrip dividend | 5,499,294 | 5,197,315 |
| Effect of shares issued in respect of share option | - | 267,634 |
| | <hr/> | <hr/> |
| Weighted average number of ordinary shares at 31 December | 452,440,305 | 440,062,276 |
| | <hr/> <hr/> | <hr/> <hr/> |

(b) *Diluted earnings per share*

There were no dilutive potential ordinary shares during the years presented and diluted earnings per share are the same as basic earnings per share.

10. Accounts receivable

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|-----------------------------|--------------------------------|-------------------------|
| Trade and other receivables | 643,978 | 625,958 |
| Interest receivable | 16,901 | 41,056 |
| Less: loss allowance | (360) | (360) |
| | 660,519 | 666,654 |

All of the accounts receivable are expected to be recovered within one year.

Included in accounts receivable are trade receivables (net of loss allowance) with the following ageing analysis, based on the due date, as of the end of the reporting period:

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|-----------------------------|--------------------------------|-------------------------|
| Current | 41,149 | 49,787 |
| Less than 1 month past due | 59,678 | 41,209 |
| 1 to 3 months past due | 35,466 | 17,622 |
| More than 3 months past due | 28,988 | 10,042 |
| | 165,281 | 118,660 |

According to the Group's credit policy, credit period granted to customers is generally between 30 days and 90 days. Therefore, all the balances which are not past due as disclosed above are within three months from the invoice date.

11. Accounts payable and accruals

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---------------------------------------|-------------------------|-------------------------|
| Trade payables | 98,479 | 135,595 |
| Balance of passenger reward | 7,154 | 12,375 |
| Balance of toll exemption fund (Note) | 392,863 | 196,354 |
| Other payables and accruals | 1,082,101 | 995,135 |
| Amount due to an associate | 4,922 | 4,922 |
| | <u>1,585,519</u> | <u>1,344,381</u> |

All of the accounts payable and accruals are expected to be settled within one year.

Amount due to an associate is unsecured, interest-free and has no fixed terms of settlement.

Included in accounts payable and accruals are trade payables with the following ageing analysis, based on the due date, as of the end of the reporting period:

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---------------------------------------|-------------------------|-------------------------|
| Due within 1 month or on demand | 95,250 | 130,401 |
| Due after 1 month but within 3 months | 633 | 2,402 |
| Due after more than 3 months | 2,596 | 2,792 |
| | <u>98,479</u> | <u>135,595</u> |

Credit period granted to the Group is generally between 30 days and 90 days. Therefore, all the balances which are due within one month or on demand as disclosed above are within three months from the invoice date.

Note: The Government has announced that with effect from 17 February 2019, all franchised buses are exempted from paying toll when using Government tunnels and roads. However, each franchised bus operator is required to spend an equivalent amount of the toll saved to set up its own dedicated account known as the "Toll Exemption Fund" in which the fund will normally be used to lower the magnitude of future fare increase. In addition, any additional fare revenue resulting from the increase of the bus fare on the jointly operated routes with other franchised bus operators arising from a fare adjustment is required to be paid into the Toll Exemption Fund. For the year ended 31 December 2020, the provision for Toll Exemption Fund of HK\$193,730,000 (2019: HK\$195,782,000) was included in "Other operating expenses" in the consolidated statement of profit or loss. As at 31 December 2020, the balance of Toll Exemption Fund amounted to HK\$392,863,000 (2019: HK\$196,354,000).

12. Contingency provision – insurance

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|--------------------------------------|-------------------------|-------------------------|
| At 1 January | 370,677 | 386,397 |
| Provision charged to profit and loss | 19,796 | 55,142 |
| Payments made during the year | <u>(82,434)</u> | <u>(70,862)</u> |
| At 31 December | <u>308,039</u> | <u>370,677</u> |
| Representing: | | |
| Current portion | 90,323 | 126,350 |
| Non-current portion | <u>217,716</u> | <u>244,327</u> |
| | <u>308,039</u> | <u>370,677</u> |

The Group is involved from time to time in litigation and claims in connection with its bus operations. Contingency provision – insurance represents amounts set aside annually by the Group to meet liabilities which are expected to arise from third party claims for incidents which have occurred prior to the end of the reporting period in connection with the Group's bus operations.

RESULTS

The Group recorded a non-recurring net gain amounting to HK\$1,495.5 million arising from the revaluation and disposal of 50% equity interest in TM Properties Investment Limited, being the wholly-owned subsidiary which holds the Tuen Mun Town Lot No. 80 site in 2020. As a result, the Group's profit attributable to equity shareholders for the year ended 31 December 2020 was HK\$1,904.1 million, an increase of HK\$1,298.8 million or 214.6% compared to HK\$605.3 million for 2019. Earnings per share increased correspondingly from HK\$1.38 for 2019 to HK\$4.21 for 2020. Excluding such non-recurring net gain, the profit attributable to equity shareholders for 2020 would have been HK\$408.6 million, representing a decrease of HK\$196.7 million or 32.5% compared to that for 2019.

PROPOSED DIVIDEND

In view that the Group recorded a net profit from its other business segments excluding its franchised public bus operations, the Board has proposed the payment to shareholders registered as at 26 May 2021 an ordinary final dividend of HK\$0.50 per share (2019: HK\$0.70 per share) totalling HK\$228.9 million (2019: HK\$312.9 million). As the Board did not declare any interim dividend during 2020 (2019: HK\$0.30 per share), total dividends for the year will amount to HK\$0.50 per share (2019: HK\$1.00 per share) and the total dividend payout will amount to HK\$228.9 million (2019: HK\$446.0 million).

The ordinary final dividend will be payable in cash, with an option for the shareholders of the Company to receive new and fully paid ordinary shares in lieu of cash or partly in cash or partly in shares under a scrip dividend scheme (the "Scrip Dividend Scheme"). The new shares will, on issue, not be entitled to the aforesaid ordinary final dividend, but will rank *pari passu* in all other respects with the existing shares. The circular containing details of the Scrip Dividend Scheme and the election form are expected to be sent to shareholders on or about 3 June 2021.

The Scrip Dividend Scheme is conditional upon the passing of the resolution relating to the payment of ordinary final dividend at the forthcoming Annual General Meeting ("AGM") to be held on 20 May 2021 or at any adjournment thereof and the granting of the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme by the Listing Committee of The Stock Exchange of Hong Kong Limited. The ordinary final dividend and the

share certificates to be issued under the Scrip Dividend Scheme are expected to be distributed and sent to shareholders on 30 June 2021.

The Transfer Books of the Company will be closed from 14 May 2021 to 20 May 2021, both dates inclusive. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited (the "Branch Share Registrars") at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 13 May 2021.

For the purpose of ascertaining shareholders' entitlement to the proposed ordinary final dividend of the Company for the year ended 31 December 2020, the Transfer Books of the Company will be closed on 26 May 2021. In order to qualify for the proposed ordinary final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars at the aforementioned address for registration not later than 4:30 p.m. on 25 May 2021.

MANAGEMENT REVIEW AND OUTLOOK

REVIEW OF OPERATIONS AND RESULTS OF INDIVIDUAL BUSINESS UNIT

Franchised Public Bus Operations

The Kowloon Motor Bus Company (1933) Limited ("KMB")

KMB recorded a profit after taxation of HK\$203.3 million for 2020, representing a decrease of HK\$111.6 million or 35.4% compared with HK\$314.9 million for 2019. If government subsidies of HK\$895.5 million (2019: HK\$137.1 million) were excluded, KMB would record a loss after taxation of HK\$692.2 million, representing a decline of HK\$870.0 million compared with a profit after taxation of HK\$177.8 million for 2019.

KMB's fare revenue for 2020 was HK\$5,308.4 million, a decrease of HK\$1,558.1 million or 22.7% compared with HK\$6,866.5 million for 2019. The decrease was mainly due to the outbreak of COVID-19 and the corresponding anti-epidemic measures implemented by the Government, including suspension of

schools, stringent border control measures and work from home arrangements, which resulted in a significant drop in bus patronage. As a result, KMB's total ridership decreased by 24.0% to 777.5 million passenger trips (a daily average of 2.12 million passenger trips) as compared with 1,022.9 million passenger trips (a daily average of 2.80 million passenger trips) for 2019. Other income for 2020 included subsidies in respect of actual expenditures incurred on fuel, wages, as well as regular repair and maintenance and insurance premium, amounting to HK\$895.5 million from the Government (2019: HK\$137.1 million).

Total operating expenses for 2020 amounted to HK\$6,541.7 million, a decrease of HK\$441.0 million or 6.3% compared with HK\$6,982.7 million for 2019. The decrease was mainly attributable to the decrease in fuel costs of HK\$259.3 million as a result of the fall in international fuel prices, the decrease in other operating expenses resulting from the implementation of a number of cost control measures, the decrease in provision for third party liabilities as a result of the implementation of various bus safety measures as well as regular trainings resulted in lower business risks associated with operations; but was partly offset by the increase in depreciation charges. The increase in depreciation charges was mainly attributable to the purchase of new buses for replacement but the impact was lessen following the review of the estimated useful lives of fixed assets to better reflect the actual usage experience.

Long Win Bus Company Limited ("LWB")

The profit after taxation of LWB for 2020 was HK\$0.6 million, representing a decrease of HK\$53.1 million or 98.9% compared with HK\$53.7 million for 2019. If government subsidies of HK\$74.7 million (2019: HK\$13.0 million) were excluded, LWB would record a loss after taxation of HK\$74.1 million, representing a decline of HK\$114.8 million compared with a profit after taxation of HK\$40.7 million for 2019.

LWB's fare revenue for 2020 was HK\$346.1 million, a decrease of HK\$292.0 million or 45.8% compared with HK\$638.1 million for 2019. The decline was mainly due to decrease in ridership as a result of the outbreak of COVID-19 which cause the significant decrease in transport demand, in particular for the A-route network, resulting from various anti-epidemic measures implemented by the Government at several boundary control points including the airport as well as the Hong Kong Port of the Hong Kong-Zhuhai-Macao Bridge. LWB recorded a total ridership of 28.2 million passenger trips (a daily average of 77,000 passenger trips) for 2020, as compared with 45.8 million passenger trips (a daily average of

125,500 passenger trips) for 2019. Other income for 2020 included subsidies in respect of actual expenditures incurred on fuel, wages, as well as regular repair and maintenance and insurance premium, amounting to HK\$74.7 million from the Government (2019: HK\$13.0 million).

Total operating expenses for 2020 amounted to HK\$470.9 million, a decrease of HK\$123.2 million or 20.7% compared with HK\$594.1 million for 2019. The decrease in operating expenses was primarily due to the decrease in fuel costs as a result of reduction in international fuel prices and fuel consumption, and the decrease in other operating expenses through service reductions and cost control measures.

Non-franchised Transport Operations

The Group's Non-franchised Transport Operations Division reported a profit after taxation of HK\$41.5 million for 2020, representing an increase of HK\$1.7 million or 4.3% compared with HK\$39.8 million for 2019. A review of the operations of the principal business units in this Division is set out as follows:

Sun Bus Holdings Limited and its Subsidiaries (the "SBH Group")

The SBH Group is a leading non-franchised bus operator in Hong Kong. With Sun Bus Limited as its flagship company, the SBH Group provides customised transport services to a wide range of customers, including large residential estates, shopping malls, major employers, travel agents and schools, as well as the general public through chartered hire services.

The revenue of the SBH Group for 2020 decreased by 23.6% compared with 2019. The decrease was mainly attributable to the decline in both local business and cross-boundary services as a result of the outbreak of COVID-19. Total operating expenses for 2020 decreased by 14.0% compared with 2019 as management implemented various cost control measures to streamline its business.

In 2020, SBH Group continued to modernise its bus fleet with the latest Euro VI buses. As at 31 December 2020, the SBH Group had a fleet of 390 buses (2019: 390 buses).

New Hong Kong Bus Company Limited (“NHKB”)

NHKB jointly operates with its Shenzhen counterpart a direct, economical, 24-hour cross-boundary shuttle bus service (commonly known as the “Huang Bus” service) serving regular commuters and leisure travellers between Lok Ma Chau in Hong Kong and Huanggang (皇崗) in Shenzhen.

The revenue of NHKB for 2020 decreased by 92.7% compared with 2019. The decrease was primarily attributable to the suspension of Huang Bus service with effect from 4 February 2020 as the immigration clearance service for passenger at Lok Ma Chau Control Point was suspended by the Government as part of its anti-epidemic measures.

As at 31 December 2020, NHKB had a fleet of 15 buses (2019: 15 buses).

Property Holdings and Development

Excluding a non-recurring net gain amounting to HK\$1,495.5 million arising from the revaluation and disposal of 50% equity interest in TM Properties Investment Limited, the Group’s Property Holdings and Development Division reported a profit after taxation of HK\$52.8 million for 2020, representing a decrease of HK\$2.0 million or 3.6% compared with HK\$54.8 million for 2019. A review of the Group’s investment properties is set out as follows:

LCK Commercial Properties Limited (“LCKCP”)

LCKCP, a wholly-owned subsidiary of the Group, is the owner of “Manhattan Mid-town”, the commercial complex of Manhattan Hill. The 50,000 square feet shopping mall has provided Manhattan Hill residents and other shoppers with high quality retail facilities since its opening in March 2009. As at 31 December 2020, the entire lettable area of the shopping mall was leased out, generating a stream of recurring rental income for the Group.

As at 31 December 2020, the carrying value of the shopping mall (classified as investment property on the consolidated statement of financial position), stated at cost less accumulated depreciation, amounted to HK\$73.5 million (2019: HK\$76.0 million).

LCK Real Estate Limited (“LCKRE”)

LCKRE, a wholly-owned subsidiary of the Group, is the owner of a 17-storey commercial office building at 9 Po Lun Street, Lai Chi Kok, Kowloon, which has a total gross floor area of about 156,700 square feet. Approximately 12% of the gross floor area is used by the Group as headquarters with the remaining gross floor area leased out to offices, shops and restaurants.

As at 31 December 2020, the carrying value of the building stated at cost less accumulated depreciation, amounted to HK\$26.5 million (2019: HK\$29.4 million).

KT Real Estate Limited (“KTRE”)

KTRE, a wholly-owned subsidiary of the Group, together with Turbo Result Limited (“TRL”), a subsidiary of Sun Hung Kai Properties Limited (“SHKP”), owns Kwun Tong Inland Lot No. 240, No. 98 How Ming Street, Kowloon, Hong Kong (the "Kwun Tong Site") in equal shares as tenants in common.

On 11 December 2009, KTRE, TRL, the Company and SHKP entered into an agreement to jointly develop the Kwun Tong Site for non-residential (excluding hotel) purposes (the “Development”). Sun Hung Kai Real Estate Agency Limited, a wholly-owned subsidiary of SHKP, has been appointed as the project manager to oversee the Development. The Group intends to hold the Development for long-term investment purposes.

On 4 August 2016, KTRE and TRL accepted the offer from the Lands Department for the grant of lease modification for the Kwun Tong Site from industrial to non-residential use (excluding hotel, petrol filling station and residential care home) at a land premium of HK\$4,305.0 million. 50% of such land premium, which amounted to HK\$2,152.5 million, was borne by KTRE.

On 20 December 2018, KTRE and TRL engaged Yee Fai Construction Company Limited, a wholly-owned subsidiary of SHKP, to carry out and perform construction works for the Development at a contract sum of approximately HK\$4,436.0 million (i.e. approximately HK\$2,218.0 million by each of KTRE and TRL) (the “Building Contract”), subject to adjustments in accordance with the Building Contract. The Building Contract was approved by independent shareholders of the Group on 1 February 2019. The basement, superstructure

and office tower construction works are underway. The occupation permit is expected to be obtained in 2022.

As at 31 December 2020, the carrying value of the Kwun Tong Site (classified as investment property under development on the consolidated statement of financial position) amounted to HK\$3,005.4 million (2019: HK\$2,531.6 million).

TM Properties Investment Limited (“TMPI”)

TMPI is jointly owned by TM Properties Holdings Limited (“TMPH”), an indirect wholly-owned subsidiary of the Group, and Mega Odyssey Limited (“Mega Odyssey”), an indirect wholly-owned subsidiary of SHKP subsequent to the disposal of TMPH’s 50% equity interest in TMPI to Mega Odyssey which completed on 29 December 2020. Upon completion, TMPI becomes a 50%-owned joint venture of the Group.

TMPI is the owner of an industrial property at 1 Kin Fung Circuit, Tuen Mun. The property, comprising a single-storey high ceiling structure and a three-storey workshop building with a total gross floor area of about 105,364 square feet, has been leased out to generate rental income for the Group since March 2011.

China Mainland Transport Operations

The Group’s China Mainland Transport Operations Division reported a profit after taxation of HK\$6.5 million for 2020, representing a decrease of HK\$15.0 million or 69.8% compared with HK\$21.5 million for 2019.

As at 31 December 2020, the Group’s total interests in associates within the China Mainland Transport Operations Division amounted to HK\$656.6 million (2019: HK\$611.9 million). Such investments are mainly related to the operation of public transport services in Shenzhen, and taxi and car rental services in Beijing.

Shenzhen Bus Group Company Limited (*深圳巴士集團股份有限公司*) (“SZBG”)

SZBG, which commenced operations in January 2005, is a Sino-foreign joint stock company formed by KMB (Shenzhen) Transport Investment Limited (九巴(深圳)交通投資有限公司), a wholly-owned subsidiary of the Group, and four other China Mainland investors. The Group has invested RMB387.1 million (equivalent to HK\$363.9 million at the investment date) in SZBG, representing a

stake of 35%. SZBG mainly provides public bus, minibus and taxi services in Shenzhen City, Guangdong Province (廣東省深圳市), operating a fleet of over 5,000 buses running on around 300 routes and over 5,000 taxis. Due to the outbreak of COVID-19 in early 2020, the number of patronage of SZBG including its bus and taxi operation decreased by 31.7% to 487.0 million in 2020 as compared to 713.3 million in 2019. The number of patronage has been improving gradually since July 2020 as a result of the effective containment of COVID-19.

Beijing Beiqi Kowloon Taxi Company Limited
(北京北汽九龍出租汽車股份有限公司) (“BBKT”)

BBKT, a Sino-foreign joint stock company, was established in Beijing in March 2003. BBKT’s shareholders include KMB (Beijing) Taxi Investment Limited (九巴(北京)出租汽車投資有限公司), a wholly-owned subsidiary of the Group, and four other China Mainland investors. The Group has invested RMB80.0 million (equivalent to HK\$75.5 million at the investment date) in BBKT, representing an equity interest of 31.38%. BBKT operated both taxi hire and car rental businesses in Beijing until April 2013, when, to sharpen its focus on the business opportunities provided by the booming but challenging car rental market, BBKT spun off its car rental business to another Sino-foreign joint stock company, namely Beijing Beiqi First Company Limited (北京北汽福斯特股份有限公司), which has the same shareholding structure as BBKT. Due to the outbreak of COVID-19, the performance of BBKT dropped significantly in early 2020 but has improved gradually since last quarter of 2020. As at 31 December 2020, BBKT had a fleet of over 3,700 taxis and 3,000 employees.

Beijing Beiqi First Company Limited
(北京北汽福斯特股份有限公司) (“BBF”)

Established in April 2013 as a Sino-foreign joint stock company with the same shareholding structure as BBKT, BBF operates the car rental business formerly undertaken by BBKT. With ISO 9001:2008 certification for management systems in car rental services, BBF is well placed to take advantage of the business opportunities afforded by business commuters as well as by the wide variety of events, conferences and exhibitions that are held in the capital. As at 31 December 2020, BBF had over 1,100 vehicles available for charter mainly in Beijing and Tianjin.

FINANCIAL LIQUIDITY AND RESOURCES

The Group closely monitors its liquidity requirement and financial resources to ensure that a healthy financial position is maintained such that cash inflows from operating activities together with the Group's reserves of cash and liquid assets and undrawn committed banking facilities are sufficient to meet the requirements for loan repayments, daily operational needs and capital expenditure as well as potential business expansion and development. The Group's operations are mainly financed by shareholders' funds and bank loans. In general, major operating companies of the Group arrange their own financing to meet their operational and specific needs. The Group's other subsidiaries are mainly financed by the Company's capital base. The Group reviews its funding policy from time to time to ensure that cost-efficient and flexible funding is available to cater for the unique operating environment of each subsidiary.

As at 31 December 2020, the Group's net borrowing (i.e. total borrowings less cash and deposits at banks) amounted to HK\$788.8 million (2019: HK\$1,250.7 million) with a liquidity ratio (the ratio of current assets to current liabilities) of 1.1 (2019: 1.9).

As at 31 December 2020, the Group had undrawn committed banking facilities totalling HK\$2,110.0 million (2019: HK\$2,280.0 million).

The finance costs incurred by the Group for the year ended 31 December 2020 were HK\$26.9 million, a decrease of HK\$5.3 million compared with HK\$32.2 million for 2019. The decrease was mainly due to the decrease in the average interest rate from 2.74% per annum for 2019 to 1.68% per annum for 2020 but was partly offset by the increase in average bank borrowings of the Group.

For the year ended 31 December 2020, the Group's interest income exceeded the total finance costs by HK\$49.7 million (2019: HK\$55.2 million).

CAPITAL EXPENDITURE

As at 31 December 2020, the Group's investment properties, investment property under development, interest in leasehold land and other property, plant and equipment (comprising buildings, buses and other motor vehicles, buses under construction, tools and others) amounted to HK\$10,953.6 million (2019: HK\$10,154.4 million). The increase was mainly due to the development of Kwun Tong Site and purchase of new buses by KMB and LWB for fleet replacement during the year. None of the assets was pledged or charged as at 31 December 2020.

EMPLOYEES AND REMUNERATION POLICIES

Running a transport operation is a labour intensive business, and staff costs accounted for about 60% (2019: 58%) of the total operating expenses of the Group in 2020. The Group closely monitors its headcount and staff remuneration in line with productivity and the prevailing market trends. The Group's total remuneration excluding retirement costs and equity-settled share-based payment expenses for 2020 amounted to HK\$4,119.9 million (2019: HK\$4,280.9 million), representing a decrease of 3.8%. As at 31 December 2020, the Group employed over 13,000 staff (2019: over 13,000 staff).

OUTLOOK

Affected by the volatile pandemic situation at home and abroad, the travel demand of both local residents and incoming tourists remained low. Coupled with a continuous downward economic trend, we believe the chance is slim to none that the patronage and income will return to the pre COVID-19 levels in the short term. Besides, severe traffic congestion has affected the operational efficiency of the land transportation industry. All these have presented the bus industry with profound operational challenges.

Despite the pessimistic economic outlook, the Group made a timely response by adopting multiple approaches to save cost and resources. We will continue to deploy our buses in a flexible manner to strive to ensure the sustainability of our business. We believe the opening of the Tuen Mun-Chek Lap Kok Tunnel and the optimisation of the transport network of Tuen Mun as a whole, coupled with the

successive soon-to-be-completed residential areas in North District and Kowloon East, will bring new opportunities to the Group's future development.

Last year, the Group initiated a redevelopment plan for its property in Tuen Mun with a view to generating long-term sustainable income by leasing office and retail space. The plan was in line with the Group's business strategy of seeking diversification to create recurring income sources. The superstructure work at the How Ming Street site in downtown Kwun Tong is expected to complete in 2022, which will provide a steady return for our shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's own shares.

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions in the Corporate Governance Code set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2020, except that four Directors of the Company were unable to attend the Annual General Meeting of the Company held on 21 May 2020 as provided for in code provision A.6.7 due to another engagement.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee of the Company, together with management and the Company's external auditors, KPMG, has reviewed the accounting principles and policies adopted by the Group, discussed auditing, internal control, risk management and financial reporting matters, and also reviewed the financial results for the year ended 31 December 2020.

By Order of the Board
Norman LEUNG Nai Pang
Chairman

Hong Kong, 18 March 2021

The Directors of the Company as at the date of this announcement are:

Independent Non-executive Directors:

Dr. Norman LEUNG Nai Pang, *GBS, JP* (Chairman)
Dr. John CHAN Cho Chak, *GBS, JP* (Deputy Chairman)
Dr. Eric LI Ka Cheung, *GBS, OBE, JP*
Professor LIU Pak Wai, *SBS, JP*
Mr. TSANG Wai Hung, *GBS, PDSM, JP*

Non-executive Directors:

Mr. Raymond KWOK Ping Luen, *JP* (Ms. Susanna WONG Sze Lai as his alternate)
Mr. NG Siu Chan (Ms. Winnie NG, *JP* as his alternate)
Mr. Charles LUI Chung Yuen, *M.H.*
Mr. William LOUEY Lai Kuen (Mr. GAO Feng as his alternate)
Ms. Winnie NG, *JP*
Mr. Allen FUNG Yuk Lun
Dr. CHEUNG Wing Yui, *BBS*
Mr. LEE Luen Fai, *JP*
Mr. LUNG Po Kwan

Executive Director:

Mr. Roger LEE Chak Cheong (Managing Director)

** For identification purposes only*